HOUSING MARKET OUTLOOK
Greater Sudbury CMA

CANADA MORTGAGE AND HOUSING CORPORATION

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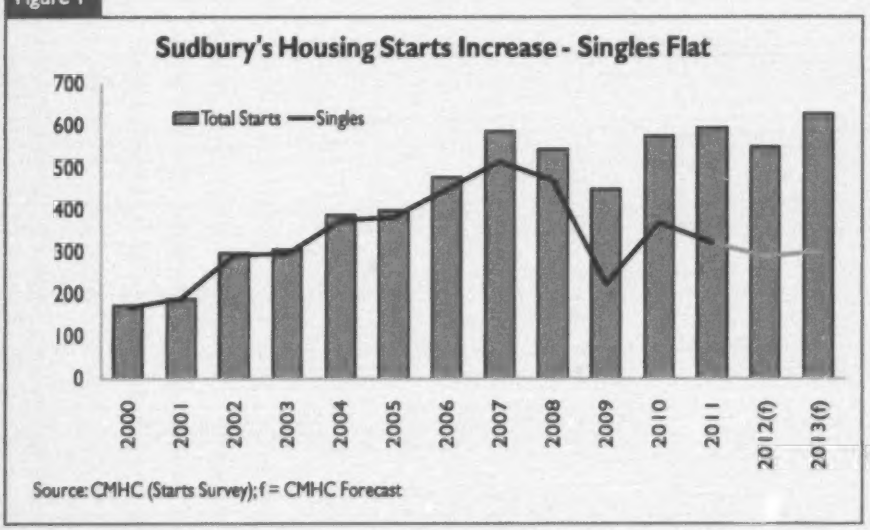
Market at a Glance

- Sudbury existing home sales will slow in the latter part of 2012, but gain momentum through 2013 as economic conditions improve.
- Sudbury prices will outpace provincial averages growing by 5.5 per cent in 2012 and 1 per cent in 2013.
- Six hundred and thirty total housing starts will break ground in 2013, the highest number in the last 18 years. Apartment's starts will grow by over 35 per cent, capturing 43 per cent of all starts.

Figure 1



Source: CMHC (Starts Survey); f = CMHC Forecast

*The forecasts included in this document are based on information available as of October 17, 2012.

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Resale Market

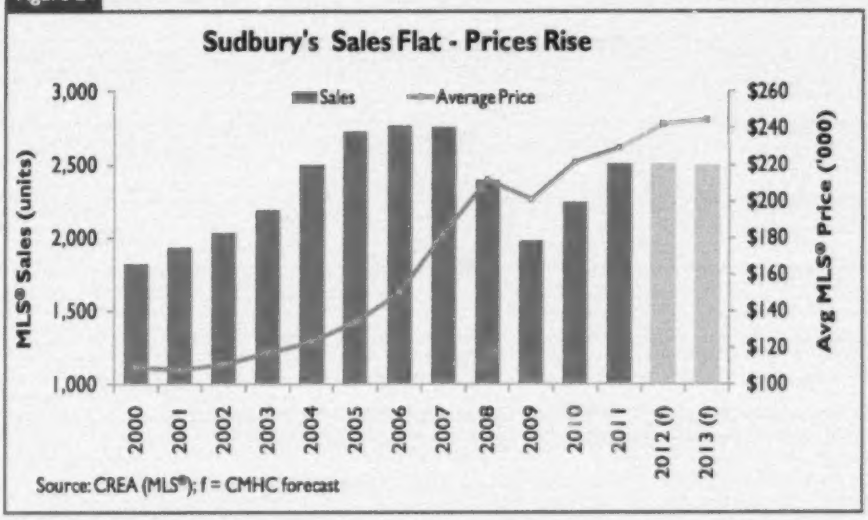
Sales activity will ease in the short run

Existing home sales in Sudbury will ease but gain momentum through 2013 as economic and home-buying conditions improve. However, in the short term, uncertainty regarding the global economy, tighter mortgage market conditions and a slower pace of job growth so far in 2012 will dampen activity. After peaking in the first quarter, seasonally adjusted quarterly sales have declined in two consecutive quarters in Greater Sudbury with the fourth quarter expected to be weaker than 2011 as listings rise and the sales-to-new-listings ratio weakens.

Sudbury home prices have been growing in excess of income growth in recent years. This is despite Sudbury having income growth that is exceeding both provincial and national averages. In addition, new mortgage rules have also put upward pressure on mortgage carrying costs. According to the latest CMHC affordability calculation the required income to buy a house in Sudbury relative to actual average household income has increased. In the short run, this will dampen housing demand particularly among some first time buyers.

Young workers are attracted to Sudbury because of job opportunities and wages that exceed Provincial and Canadian averages. Positive job prospects resulting from rising business investments will help home sales hold up better in Sudbury versus other centres in Ontario.

Figure 2



Source: CREA (MLS®); f = CMHC forecast

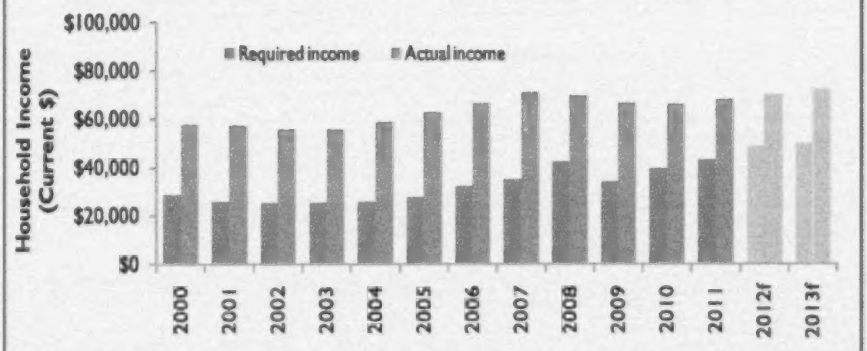
Modest growth in Sudbury prices in 2013

At present, the sales-to-new-listings ratio is trending up, indicating a strong balanced market. Over the next year, the resale market in Sudbury will experience increased listings as sales level off and therefore will continue to be a balanced market, just somewhat weaker. While this will result in a slower pace of price growth, Sudbury prices will still outpace growth in provincial averages. With more choice in the marketplace and stable interest rates, homebuyers will feel less pressured to commit, tempering price growth.

New Home Market

Housing starts in Sudbury for semis, rows and particularly apartments - condos and rentals - shared almost equally the total 550 housing starts this year. In 2013, total starts will grow

Figure 3



Sources: CMHC, Statistics Canada, CREA, f = CMHC forecast. *Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 percent gross debt service ratio. Mortgage carrying costs are calculated on the average MLS® price, a 10 per cent down payment, the fixed five-year mortgage rate and the longest available amortization.

by 14.5 per cent to 630 units of which 48 per cent will be single detached units. In light of the current conditions, improved housing supply will help to satisfy the underlying pent-up demand. The share of apartments in total starts will increase to 43 per cent in 2013.

While third quarter single-detached starts were ahead of last year, they trailed the five-year-average. With 290 singles forecast in Sudbury for the year, 2012 will represent only the second time in the last nine years that single-detached starts have fallen below 300 units. Land supply is adequate in Sudbury to support more new home construction. CMHC is forecasting 300 singles starts for 2013 as the local economy outperforms the province.

There are several factors that account for the shift to apartments, either rental or ownership in the form of apartment-style condominiums. Among the factors at play is the growing price spread between new single-detached home and existing house prices. A new single in 2013 is priced on average at $390,000 versus that of the average resale at $244,500. The price points for new singles seem less affordable. Further, part of the demand for apartments might be coming from a younger-age group, more of whom are moving to Sudbury. Additionally, some buyers are deciding to rent their condominium apartments and, as a result, more rental condominium apartment supply is available, tilting prospective buyers to the rental market instead of owning. Finally, the new mortgage rules and generally higher prices will encourage some households to substitute into lower priced options.

Despite the relatively high price of new construction in Sudbury, the New Home Price index has not shown significant movement since 2007 and 2008. Nevertheless, of late it is starting to pick up and is forecast to increase 1.1 and 1.2 per cent respectively this year and into 2013. Provincially and nationally, growth in the price index averaged 2.8 per cent in 2011 and 3.4 per cent thus far in 2012. As demand picks up in the U.S. housing market, the index stands to advance as prices for all materials are more prone to advances.

Economic Overview

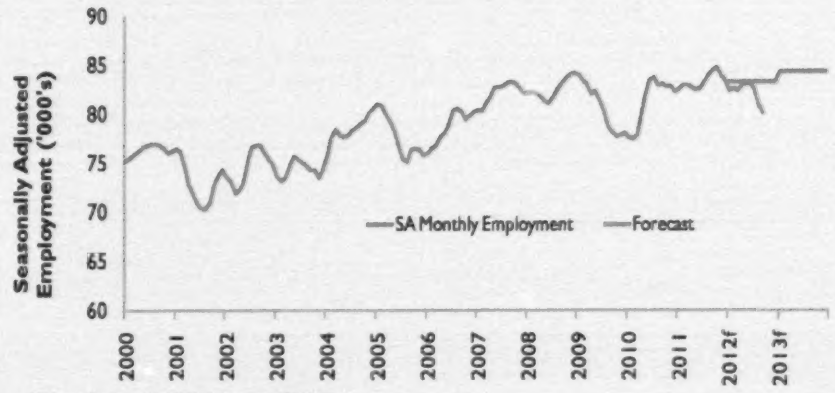
The future of Sudbury's mining industry remains optimistic but impacted by turbulence in world prices for its commodities. Nevertheless, Sudbury's labour markets will benefit from high commodity prices and the spinoff effects on other sectors. Employment in Sudbury is expected to reach 84,000 jobs in 2013, hitting new highs even as the growth rate slows to 1.2 per cent in 2013 from 2.1 per cent in 2011. The unemployment rate will fall from 9.3 per cent in 2010 to 5.7 percent this year and will remain there in 2013.

Unlike the Ontario economy, the Greater Sudbury economy is firing on all cylinders entering a "mining super cycle" as the mining sector, which dominates Sudbury GDP continues to attract capital investment. Some of the new investment over the next five years will go to capital projects by Vale, Cliffs Resources (chromite plant), KGHM and Xstrata Nickel. All this new investment will need to be absorbed by hiring more skilled workers.

These positive trends favour a reversal of the previous net out-migration patterns in Sudbury. CMHC forecasts a slight increase in net migration in 2012 followed by bigger increases in 2013. As well, Sudbury's labour market is changing. The 45-64 age group is leaving the workforce and is being replaced by the younger-age 25-44 group. Many in this age group are in-migrating into Sudbury even as those in the older age group are

Figure 4

Sudbury's Employment Trends Flattens



Data to September 2012, Forecast CMHC.
Source: Statistics Canada Labour Force Survey.

out-migrating. The economy itself is benefitting from further diversification as well, based on announcements affecting other sectors including the $35 million School of Architecture under construction and due for completion in 2013.

Mortgage Rate Outlook

Mortgage rates to remain low

Although there is significant uncertainty, mortgage rates are not expected to change in 2012. Slight increases are expected in 2013, but rates will remain low by historical standards.

According to CMHC's base case scenario, for 2012, the one-year mortgage rate is forecasted to be within 2.75 per cent to 3.50 per cent. For 2013, the one-year posted mortgage rate is expected to rise and be in the 3.00 per cent to 4.00 per cent range, while the five-year posted mortgage rate is forecasted to be within 5.00 per cent to 5.75 per cent, consistent with higher employment and economic growth prospects in 2013.

Forecast Summary Greater Sudbury CMA Fall 2012	2009	2010	2011	2012f	% chg	2013f	% chg
Resale Market							
MLS® Sales	1,977	2,244	2,507	2,510	0.1	2,500	-0.4
MLS® New Listings	4,307	4,673	4,354	4,200	-3.5	4,250	1.2
MLS® Average Price ($)	200,947	221,699	229,485	242,000	5.5	244,500	1.0
New Home Market							
Starts:							
Single-Detached	224	369	321	290	-9.7	300	3.4
Multiples	226	206	274	260	-5.1	330	26.9
Semi-Detached	8	4	40	40	0.0	40	0.0
Row/Townhouse	74	25	54	22	-59.3	20	-9.1
Apartments	144	177	180	198	10.0	270	36.4
Starts - Total	450	575	595	550	-7.6	630	14.5
Average Price ($):							
Single-Detached	370,755	360,289	372,831	385,705	3.5	389,562	1.0
Median Price ($):							
Single-Detached	339,900	354,900	366,900	370,569	1.0	372,422	0.5
New Housing Price Index (% chg) (Thunder Bay-Sudbury)	0.7	-0.5	0.1	1.1	-	1.2	-
Rental Market							
October Vacancy Rate (%)	2.9	3.0	2.8	2.0	-0.8	1.8	-0.2
Two-bedroom Average Rent (October) ($)	830	840	881	910	-	935	-
Economic Overview							
Mortgage Rate (1 year) (%)	4.02	3.49	3.52	3.37	-	3.78	-
Mortgage Rate (5 year) (%)	5.63	5.61	5.37	5.26	-	5.37	-
Annual Employment Level	80,300	81,500	83,200	83,300	0.1	84,300	1.2
Employment Growth (%)	-3.3	1.5	2.1	0.1	-	1.2	-
Unemployment rate (%)	9.3	9.3	6.8	5.7	-	5.6	-
Net Migration	-252	-989	-1,047	100	-109.6	500	400.0

MLS® is a registered trademark of the Canadian Real Estate Association (CREA).

Source: CMHC (Starts and Completions Survey, Market Absorption Survey), adapted from Statistics Canada (CANSIM), CREA, Statistics Canada (CANSIM)
NOTE: Rental universe = Privately initiated rental apartment structures of three units and over

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